

**WEST BOUNTIFUL CITY
WEST BOUNTIFUL, UTAH**

**FINANCIAL STATEMENTS
Using the GASB 34 Model**

For The Year Ended June 30, 2005

Together With Independent Auditor's Report

WEST BOUNTIFUL CITY
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For The Year Ended June 30, 2005

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FINANCIAL SECTION

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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and
Members of City Council
West Bountiful City
West Bountiful, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Bountiful City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Bountiful City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Bountiful City as of June 30, 2005, and the respective changes in financial position, and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2005 on our consideration of West Bountiful City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Bountiful City's financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Tensen & Keddington

November 14, 2005

WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005

West Bountiful City's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2005. As management of the City, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The assets of West Bountiful City exceeded its liabilities at the end of the current fiscal year by \$14,459,807 (net assets.) Of this amount, \$941,684 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$1,450,372.

The City's Governmental funds reported combined ending fund balance of \$10,172,862. Of the combined total fund balance, \$724,662 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the General Fund at June 30, 2005, totaled \$383,237 and is 17% of the general fund total revenues for the year. Total debt for West Bountiful City decreased by \$253,381 or 5%, from \$4,997,163 to \$4,743,782 as of June 30, 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to West Bountiful City's basic financial statement types or sections, as follows: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide financial statements give readers a broad overview of the entire City's financial position, and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the statement of net assets and the statement of activities.

The statement of net assets shows West Bountiful City's entire assets and liabilities with the difference shown as net assets. Increases or decreases over time in net assets gives an indicator as to whether the financial condition of West Bountiful City is improving or declining.

The statement of activities shows the changes to net assets that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues and those whose operations are entirely or largely financed by user charges and fees. The governmental activities for West Bountiful City include general government, streets, parks, and other departments. The business-type activities include water, solid waste, storm water, and golf course operations.

The government-wide financial statements include only the financial statements of West Bountiful City. The City's Redevelopment Agency constitutes a blended component unit, as it is, in substance, part of the government's operations.

The government-wide financial statements are found immediately following this discussion and analysis.

WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2005

Fund financial statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. West Bountiful City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds and proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's potential cash flow needs.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements to aid in the comparison.

West Bountiful City uses three different major governmental funds which are the General Fund, Redevelopment Fund and the Capital Improvements Fund. The information on these funds is shown separately. The City has four non-major governmental funds. These non-major funds are: Street Impact Fees, Storm Drain Impact Fees, Police Facility Impact Fees, and Park Impact Fees funds. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Within the proprietary funds are the enterprise funds. The enterprise funds report the same functions as the business-type activities in the government-wide financial statements. The enterprise funds maintained by West Bountiful City are the Water, Solid Waste, Storm Drain and Golf Course Funds.

Proprietary funds present the same information as in the government-wide statements, but in more detail. The Water, Solid Waste, Storm Water and Golf Course funds are all considered to be major funds of West Bountiful City.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

Other information is contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

The developments listed below have provided additional revenue in the current fiscal year to West Bountiful City in the form of not only property tax but also additional impact fees for street, park, public safety and water utility funds.

WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2005

Residential Development 2004-2005:

Moss Farm Estates
 Birnam Woods 3
 Olsen Farms Estates 5 & 6
 Sunset Fields Subdivision

Through its Redevelopment Project, West Bountiful City has successfully developed the *West Bountiful Commons Area*, which will hold a great economic future for the City, located between 500 West and I-15, and between 400 North and approximately 100 South.

West Bountiful City has also successfully completed a new 12,515 square foot City Hall and is in the process of constructing a 6,000 square foot Public Works facility. A Sales Tax Revenue Bond in the amount of \$2,215,000 was passed on May 13, 2004 to support the building of the new facilities.

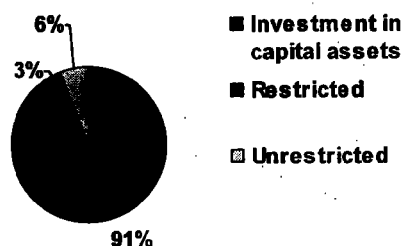
GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that West Bountiful City has produced government-wide financial statements. Data for the Fiscal Year 2004 related to the governmental activities is available for comparison purposes. Therefore, previous fiscal year information is presented for both governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets:						
Current assets	\$ 2,156,731	\$ 4,237,124	\$ 455,071	\$ 388,512	\$ 2,611,802	\$ 4,625,636
Non-current assets:						
Capital assets	11,078,389	8,299,744	6,446,240	6,198,374	17,524,629	14,498,118
Total assets	\$ 13,235,120	\$ 12,536,868	\$ 6,901,311	\$ 6,586,886	\$ 20,136,431	\$ 19,123,754
Current and other liabilities	\$ 777,210	\$ 260,012	\$ 155,632	\$ 402,542	\$ 932,842	\$ 662,554
Long-term liabilities	2,285,048	2,986,556	2,458,734	2,465,209	4,743,782	5,451,765
Total liabilities	\$ 3,062,258	\$ 3,246,568	\$ 2,614,366	\$ 2,867,751	\$ 5,676,624	\$ 6,114,319
Net assets:						
Investment in capital assets, net of related debt	\$ 8,972,133	\$ 8,219,891	\$ 4,069,923	\$ 3,179,877	\$ 13,042,056	\$ 11,399,768
Restricted	476,067	898,286	-	-	476,067	898,286
Unrestricted	724,662	172,123	217,022	539,258	941,684	711,381
Total net assets	\$ 10,172,862	\$ 9,290,300	\$ 4,286,945	\$ 3,719,135	\$ 14,459,807	\$ 13,009,435

By far the largest component of West Bountiful City's net assets is its investment in capital assets. Capital assets represent 91% of the total net assets, which include land and improvements, buildings, machinery and equipment, roads, and streetlights, less any related outstanding debt that was used to acquire these assets. West Bountiful City uses these capital assets to provide services to citizens who live, work, and pass through, or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though

**Investment in Capital Assets
Represents 62% of Total Net Assets**



WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2005

debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.

An additional part of net assets (3%) are assets that are subject to external restrictions on how they may be expended. The remaining 6% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

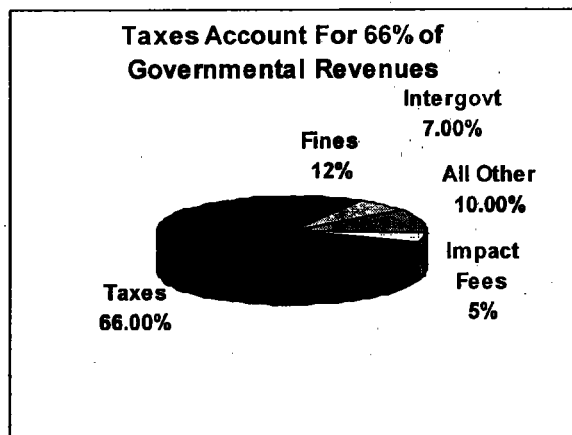
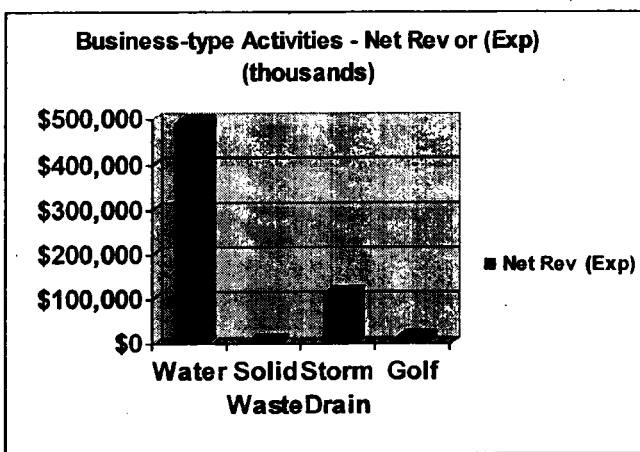
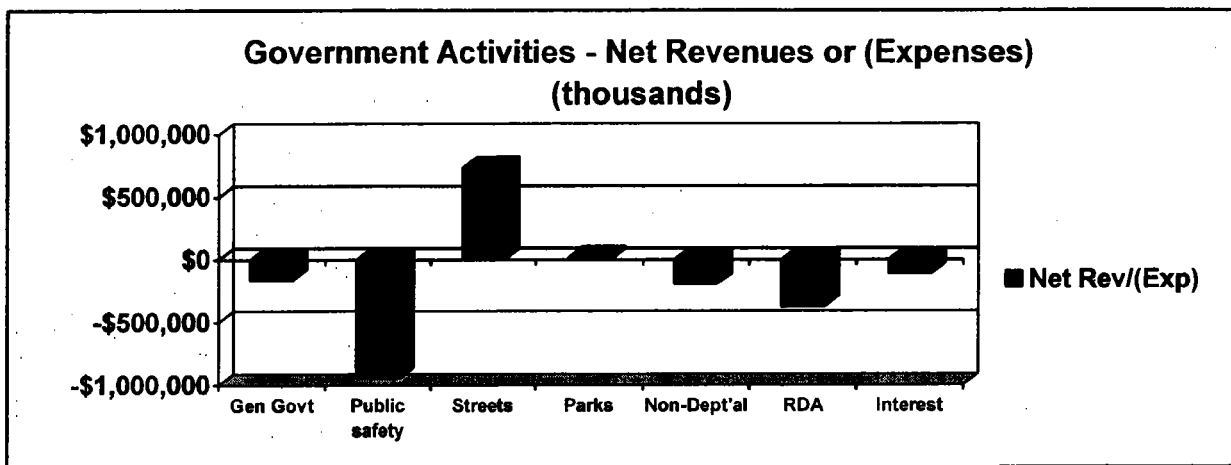
West Bountiful City's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 714,370	\$ 546,665	\$ 1,492,030	\$ 1,511,692	\$ 2,206,400	\$ 2,058,357
Operating grants and contributions	51,525	191,250	-	-	51,525	191,250
Capital grants and contributions	1,243,619	47,559	547,219	-	1,790,838	47,559
General revenues:						
Property taxes	710,126	890,498	-	-	710,126	890,498
Other taxes	1,098,532	1,033,175	-	221,364	1,098,532	1,254,539
Other	38,277	19,870	17,811	12,519	56,088	32,389
Total revenues	3,856,449	2,729,017	2,057,060	1,745,575	5,913,509	4,474,592
Expenses:						
General government	786,855	413,413	-	-	786,855	413,413
Public safety	969,351	759,698	-	-	969,351	759,698
Highways and public improvements	547,089	411,963	-	-	547,089	411,963
Parks, recreation and public property	66,534	47,688	-	-	66,534	47,688
Court	197,051	189,334	-	-	197,051	189,334
Redevelopment	375,098	475,990	-	-	375,098	475,990
Interest on long-term debt	111,710	23,346	-	-	111,710	23,346
Water	-	-	370,334	377,998	370,334	377,998
Solid Waste	-	-	267,915	244,944	267,915	244,944
Storm Drain	-	-	67,152	21,553	67,152	21,553
Golf course	-	-	704,048	723,235	704,048	723,235
Total expenses	3,053,688	2,321,432	1,409,449	1,367,730	4,463,137	3,689,162
Increase in net assets before transfers	802,761	407,585	647,611	377,845	1,450,372	785,430
Transfers	79,801	(102,922)	(79,801)	102,922	-	-
Increase (decrease) in net assets	882,562	304,663	567,810	480,767	1,450,372	785,430
Net assets July 1,	9,290,300	8,985,637	3,719,135	3,238,368	13,009,435	12,224,005
Net assets June 30,	\$ 10,172,862	\$ 9,290,300	\$ 4,286,945	\$ 3,719,135	\$ 14,459,807	\$ 13,009,435

WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2005

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental Activities net assets increased by \$882,562 for the year ended June 30, 2005. Governmental activities contributed to 59 percent of the increase in total City net assets during the year. The major reason for the increase resulted from the City's tax collections that were enough to cover all primary government expenditures. The City also collected various other fees and revenues above the amount needed for governmental activities.



Business-type activities contributed an amount of \$567,810 or 41% of the total increase to net assets. The most significant reason for this increase in business-type activities is that charges for services exceeded expenses by \$82,581. The City also received \$207,709 in water development impact fees collected by business-type activities.

WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2005

FINANCIAL ANALYSIS OF WEST BOUNTIFUL CITY'S FUNDS

West Bountiful City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources. The unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2005.

For the period ended June 30, 2005, the City's governmental funds reported combined net assets in the amount of \$10,172,862 with an increase of \$882,562, compared with the prior fiscal year. Of the total balance at year-end, \$724,662 is unreserved and undesignated. There is also an amount of \$162,805 designated in reserve funds for debt service. The remaining \$313,262 of combined net assets is reserved for Class C road purposes and future development of the city.

The General Fund is the main operating fund for West Bountiful City. At June 30, 2005, the general fund's unreserved fund balance was \$383,237, while total fund balance equaled \$456,089. Total fund balance of the General Fund for West Bountiful City decreased by \$142,789. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year. Unreserved fund balance for governmental funds was 24% of total expenditures and transfers out while total fund balance equaled 28% of current expenditures.

The Capital Projects Fund has a total fund balance of \$652,289 at June 30, 2005, all of which is either reserved for special projects and programs or designated for other programs. The net decrease in fund balance for the year amounted to \$1,888,133 due to City Hall construction costs.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's proprietary funds totaled \$217,022. Discussions about the finances of this fund are addressed in the City's business-type activities.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

The City's General Fund budget increased by \$67,382. The adjustment is related to increases in general taxes and permit fees. The Redevelopment Fund budget decreased as a result of a decrease in property taxes. The Storm Drain Impact fund revenue increased \$12,755 as a result of increased development fee levels.

CAPITAL ASSET AND DEBT ADMINISTRATION

West Bountiful City's investment in capital assets for its governmental and business type activities combined totaled \$17,536,500 (net of \$8,510,798 accumulated depreciation) at June 30, 2005. Types of assets included in this category are land and water rights, buildings and related improvements, vehicles, machinery and equipment, roads (including curb and gutter), street lights, traffic signals, water and waste water distribution and collection systems, and construction in progress. The City's investment in net capital assets equals nearly 87% of total assets. Governmental activities net capital assets to governmental activities assets equaled 84% while business-type activities percentage was 94%.

WEST BOUNTIFUL CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2005

Major capital asset activities that occurred during the past fiscal year include:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land and water rights	\$ 5,052,700	\$ 4,850,201	\$ 1,743,497	\$ 1,726,833	\$ 6,796,197	\$ 6,577,034
Buildings	1,861,870	2,981	301,234	281,101	2,163,104	284,082
Improvements, other than buildings	7,762,007	6,858,694	6,221,428	5,913,661	13,983,435	12,772,355
Vehicles	423,874	430,575	150,514	140,014	574,388	570,589
Machinery and equipment	372,839	243,946	624,486	572,440	997,325	816,386
Construction in progress	109,810	79,853	-	-	109,810	79,853
Accumulated depreciation	(4,504,711)	(4,166,506)	(2,594,919)	(2,435,675)	(7,099,630)	(6,602,181)
Net Book Value	\$ 11,078,389	\$ 8,299,744	\$ 6,446,240	\$ 6,198,374	\$ 17,524,629	\$ 14,498,118

At June 30, 2005, West Bountiful City's total debt amounted to \$4,997,163 of which \$2,458,734 was incurred by the City's business-type activities and the remaining \$2,730,445 was incurred by the City's governmental units. The majority of the City's debt is known as revenue bonds and is secured by specific enterprise fund revenue sources (i.e. water utility revenues). General Obligation (G.O.) bonds are a low-interest financing option, which underwrites the City-owned Lakeside Golf Course.

Additional information on West Bountiful City's capital assets and debt can be found in Note 5 and Note 6, respectively, in the notes to the City's basic financial statements.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds	\$ 2,160,000	\$ 2,215,000	\$ -	\$ -	\$ -	\$ -
General obligation bonds	-	-	2,613,011	2,971,011	4,773,011	5,186,011
Totals	\$ 2,160,000	\$ 2,215,000	\$ 2,613,011	\$ 2,971,011	\$ 4,773,011	\$ 5,186,011

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

As of September 2004, the state unemployment rate was 5.1%, down from 6.2% the previous year. This is consistent with the nationwide decrease in unemployment rates as the economy continues to recover. Currently, West Bountiful City is experiencing a similar economic pickup consistent with the rest of the nation. The City has new subdivisions that are bringing more property taxes into the City now as the land was previously farm property subject to the greenbelt provisions. The rates and fees for most services remained constant for fiscal year 2005.

REQUEST FOR INFORMATION

This financial report is designed to give its readers a general overview of West Bountiful City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to West Bountiful City, 550 North 800 West, West Bountiful City, Utah 84087.

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BASIC FINANCIAL STATEMENTS

WEST BOUNTIFUL CITY
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 515,544	\$ 925,596	\$ 1,441,140
Receivables:			
Taxes	494,496	-	494,496
Accounts, net	32,660	84,609	117,269
Inventories	-	30,000	30,000
Internal balances	637,964	(637,964)	-
Prepays	-	52,830	52,830
Restricted assets:			
Cash and cash equivalents and investments	476,067	-	476,067
Capital assets, net:			
Land and easements	5,052,700	1,743,497	6,796,197
Buildings	1,856,698	216,534	2,073,232
Water system	-	2,024,305	2,024,305
Storm drain collection system	-	937,134	937,134
Improvements other than buildings	3,669,101	-	3,669,101
Golf Course	-	1,335,150	1,335,150
Machinery and equipment	167,438	136,256	303,694
Vehicles	222,642	53,364	276,006
Construction in progress	109,810	-	109,810
Total Assets	\$ 13,235,120	\$ 6,901,311	\$ 20,136,431
Liabilities:			
Accounts payable	\$ 188,061	\$ 29,415	\$ 217,476
Accrued liabilities	69,034	13,880	82,914
Accrued interest payable	17,880	30,151	48,031
Unearned revenue	312,000	33,300	345,300
Developer and customer deposits	190,235	48,886	239,121
Noncurrent liabilities:			
Due within one year	50,000	377,922	427,922
Due in more than one year	2,235,048	2,080,812	4,315,860
Total Liabilities	3,062,258	2,614,366	5,676,624
Net Assets:			
Invested in capital assets, net of related debt	8,972,133	4,069,923	13,042,056
Restricted for:			
Debt Service	162,805	-	162,805
Future development	313,262	-	313,262
Unrestricted	724,662	217,022	941,684
Total Net Assets	10,172,862	4,286,945	14,459,807
Total Liabilities and Net Assets	\$ 13,235,120	\$ 6,901,311	\$ 20,136,431

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Functions/Programs	Programs Revenue			Net (Expense), Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:						
General government	\$ 786,855	\$ 44,769	\$ -	\$ (162,725)	\$ -	\$ (162,725)
Public safety	969,351	6,756	-	(950,135)	-	(950,135)
Highways and streets	547,089	-	1,243,619	736,715	-	736,715
Parks	66,534	-	-	15,830	-	15,830
Non-departmental	197,051	-	-	(197,051)	-	(197,051)
Redevelopment	375,098	-	-	(375,098)	-	(375,098)
Interest on long-term debt	111,710	-	-	(111,710)	-	(111,710)
Total Governmental Activities	3,053,688	51,525	1,243,619	(1,044,174)	-	(1,044,174)
Business-type Activities:						
Water	370,334	-	414,163	-	493,914	493,914
Solid Waste	267,915	-	-	-	6,311	6,311
Storm Drain	67,152	-	133,056	-	113,487	113,487
Golf Course	704,048	-	-	-	16,088	16,088
Total Business-type Activities	1,409,449	-	547,219	-	629,800	629,800
Total Government	\$ 4,463,137	\$ 51,525	\$ 1,790,838	\$ (1,044,174)	\$ 629,800	\$ (414,374)
General Revenues:						
Property taxes				\$ 710,126	\$ -	\$ 710,126
Sales taxes				674,725	-	674,725
Franchise taxes				423,807	-	423,807
Unrestricted investment earnings				7,967	17,811	25,778
Other				17,398	-	17,398
Gain (loss) on sale of capital assets				12,912	-	12,912
Transfers				79,801	(79,801)	-
Total General Revenues				1,926,736	(61,990)	1,864,746
Changes in Net Assets				882,562	567,810	1,450,372
Net Assets, Beginning				5,417,334	2,765,823	8,183,157
Prior Period Adjustments				3,872,966	953,312	4,826,278
Net Assets, Ending				\$ 10,172,862	\$ 4,286,945	\$ 14,459,807

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005

	General	Capital Projects	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 8,607	\$ 506,064	\$ 873	\$ -	\$ 515,544
Receivables:					
Taxes	490,496	4,000	-	-	494,496
Accounts - net	32,660	-	-	-	32,660
Due from other funds	449,924	188,040	-	-	637,964
Restricted assets:					
Cash and cash equivalents and investments	172,666	14,915	-	288,486	476,067
Total Assets	<u>\$ 1,154,353</u>	<u>\$ 713,019</u>	<u>\$ 873</u>	<u>\$ 288,486</u>	<u>\$ 2,156,731</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 127,331	\$ 60,730	\$ -	\$ -	\$ 188,061
Accrued liabilities	68,698	-	336	-	69,034
Developer and customer deposits	190,235	-	-	-	190,235
Unearned revenues	312,000	-	-	-	312,000
Total Liabilities	<u>698,264</u>	<u>60,730</u>	<u>336</u>	<u>-</u>	<u>759,330</u>
Fund Balances:					
Reserved for:					
Class "C" roads	9,861	-	-	-	9,861
Debt Service	162,805	-	-	-	162,805
Construction	-	14,915	-	-	14,915
Unreserved, reported in:					
General fund	283,423	-	-	-	283,423
Capital projects	-	637,374	-	-	637,374
Redevelopment agency	-	-	537	-	537
Special revenue funds	-	-	-	288,486	288,486
Total Fund Balances	<u>456,089</u>	<u>652,289</u>	<u>537</u>	<u>288,486</u>	<u>1,397,401</u>
Total Liabilities and Fund Balances	<u>\$ 1,154,353</u>	<u>\$ 713,019</u>	<u>\$ 873</u>	<u>\$ 288,486</u>	<u>\$ 2,156,731</u>

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
June 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance - governmental funds	\$ 1,397,401
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,898,054
Accrued interest expense is not due and payable in the current period and, therefore, is not recorded in the funds.	(5,389)
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the funds.	(2,297,539)
Capital assets that were not recorded correctly in the prior year and are not current financial resources, and therefore, are not reported in the funds.	<u>4,180,335</u>
Total net assets - governmental activities	<u><u>\$ 10,172,862</u></u>

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Capital Projects	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,498,116	\$ 53,925	\$ 269,567	\$ -	\$ 1,821,608
Licenses and permits	241,868	-	-	-	241,868
Intergovernmental	189,331	-	-	-	189,331
Charges for services	18,750	-	-	-	18,750
Fines and forfeitures	319,030	-	-	-	319,030
Interest on investments	2,467	5,146	354	5,076	13,043
Impact fees	-	-	-	129,646	129,646
Miscellaneous	4,447	-	-	-	4,447
Total Revenues	2,274,009	59,071	269,921	134,722	2,737,723
Expenditures:					
Current:					
General government	633,404	102,422	-	-	735,826
Public safety	877,015	-	-	-	877,015
Highways and streets	274,922	-	-	-	274,922
Parks	59,342	-	-	919	60,261
Non-departmental	197,051	-	-	-	197,051
Redevelopment	-	-	375,098	-	375,098
Debt service:					
Principal	134,853	-	-	-	134,853
Interest	103,679	-	-	-	103,679
Capital outlay					
General government	-	2,018,898	-	-	2,018,898
Public safety	5,523	-	-	-	5,523
Total Expenditures	2,285,789	2,121,320	375,098	919	4,783,126
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,780)	(2,062,249)	(105,177)	133,803	(2,045,403)
Other Financing Sources (Uses):					
Transfer in	55,536	198,386	40,000	-	293,922
Transfer out	(130,545)	(38,040)	-	(45,536)	(214,121)
Sale of capital assets	-	13,770	-	-	13,770
Total Other Financing Sources (Uses)	(75,009)	174,116	40,000	(45,536)	93,571
Net Change in Fund Balances	(86,789)	(1,888,133)	(65,177)	88,267	(1,951,832)
Fund Balances, Beginning	598,878	2,540,422	65,714	200,219	3,405,233
Prior Period Adjustment	(56,000)	-	-	-	(56,000)
Fund Balances, Ending	\$ 456,089	\$ 652,289	\$ 537	\$ 288,486	\$ 1,397,401

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ (1,951,832)
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(350,731)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the Statement of Net Assets.	2,024,422
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	134,853
In the Statement of Activities, amortization of premiums and costs of issuing of debt is recorded.	(2,256)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expense is reported when due.	(5,775)
The effect of the sale and disposal of capital assets.	(858)
The long term portion of accrued leave does not require the use of current financial resources and, therefore, is not recorded as an expenditure in the governmental funds.	(71,074)
The City receives assets that are contributed by outside entities and are included in the Statement of Activities, however, they do not require the use of financial resources and, therefore, are not reported as expenditures in the governmental funds.	1,105,813
Change in net assets of governmental activities	<u>\$ 882,562</u>

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	\$ 1,367,900	\$ 1,397,900	\$ 1,498,116	\$ 100,216
Licenses and permits	172,390	212,390	241,868	29,478
Intergovernmental revenues	234,500	230,500	189,331	(41,169)
Charges for services	3,525	42,525	18,750	(23,775)
Fines and forfeitures	378,300	328,300	319,030	(9,270)
Interest on investments	5,200	8,200	2,467	(5,733)
Miscellaneous	22,000	22,000	4,447	(17,553)
Total Revenues	2,183,815	2,241,815	2,274,009	32,194
Expenditures:				
Current:				
General government:				
Legislative	34,762	32,762	32,644	118
Court	182,943	217,253	214,110	3,143
Administrative	339,962	344,962	323,406	21,556
Engineering	33,734	33,734	29,468	4,266
Government buildings	24,150	22,150	22,147	3
Planning and zoning	14,974	14,974	11,629	3,345
Public safety:				
Police	690,337	699,427	629,378	70,049
Fire	237,000	245,104	247,637	(2,533)
Highways and streets				
Streets	154,045	154,045	136,376	17,669
Class "C" roads	168,316	168,316	138,546	29,770
Parks	75,682	75,682	59,342	16,340
Non-departmental	186,100	202,578	197,051	5,527
Debt service				
Principal	55,000	55,000	134,853	(79,853)
Interest	105,200	105,200	103,679	1,521
Capital outlay				
Public safety	9,000	7,400	5,523	1,877
Total Expenditures	2,311,205	2,378,587	2,285,789	92,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	(127,390)	(136,772)	(11,780)	124,992
Other Financing Sources (Uses):				
Transfer in	58,000	33,000	55,536	22,536
Transfer out	(25,545)	(130,545)	(130,545)	-
Sale of capital assets	2,500	2,500	-	(2,500)
Total Other Financing Sources (Uses)	34,955	(95,045)	(75,009)	20,036
Net Change in Fund Balance	\$ (92,435)	\$ (231,817)	(86,789)	\$ 145,028
Fund Balance, Beginning			598,878	
Prior Period Adjustment			(56,000)	
Fund Balance, Ending			\$ 456,089	

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	\$ 335,000	\$ 270,000	\$ 269,567	\$ (433)
Interest on investments	1,700	1,700	354	(1,346)
Total Revenues	336,700	271,700	269,921	(1,779)
Expenditures:				
Current:				
Redevelopment	73,238	170,700	169,887	813
Payments to developers	220,000	206,000	205,211	789
Total Expenditures	293,238	376,700	375,098	1,602
Excess (Deficiency) of Revenues Over (Under) Expenditures	43,462	(105,000)	(105,177)	(177)
Other Financing Sources:				
Transfer in	-	40,000	40,000	-
Total Other Financing Sources (Uses)	-	40,000	40,000	-
Net Change in Fund Balance	\$ 43,462	\$ (65,000)	(65,177)	\$ (177)
Fund Balance, Beginning			65,714	
Fund Balance, Ending			\$ 537	

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Solid Waste	Storm Drain	Golf Course	Total
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 665,026	\$ 36,056	\$ 98,593	\$ 125,921	\$ 925,596
Accounts receivable, net	47,825	31,780	5,004	-	84,609
Inventories	30,000	-	-	-	30,000
Prepaid expenses	52,830	-	-	-	52,830
Total Current Assets	795,681	67,836	103,597	125,921	1,093,035
Noncurrent Assets:					
Capital assets, net:					
Land and easements	74,370	-	158,741	1,510,386	1,743,497
Buildings	-	-	-	216,534	216,534
Water system	2,024,305	-	-	-	2,024,305
Storm drain collection system	-	-	937,134	-	937,134
Improvements other than buildings	-	-	-	1,335,150	1,335,150
Machinery and equipment	24,724	53,822	-	57,710	136,256
Vehicles	53,364	-	-	-	53,364
Total Noncurrent Assets	2,176,763	53,822	1,095,875	3,119,780	6,446,240
Total Assets	\$ 2,972,444	\$ 121,658	\$ 1,199,472	\$ 3,245,701	\$ 7,539,275

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (Continued)
June 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Solid Waste	Storm Drain	Golf Course	Total
Liabilities:					
Current Liabilities:					
Accounts payable	\$ -	\$ 15,117	\$ 588	\$ 13,710	\$ 29,415
Accrued liabilities	1,078	-	-	12,802	13,880
Accrued interest	9,697	-	-	20,454	30,151
Unearned revenue	-	-	-	33,300	33,300
Due to other funds	-	-	-	637,964	637,964
Bonds payable - current	85,000	-	-	282,000	367,000
Capital lease payable - current	-	-	-	10,922	10,922
Total Current Liabilities	95,775	15,117	588	1,011,152	1,122,632
Noncurrent Liabilities:					
Compensated absences	23,396	-	-	59,021	82,417
Developer and customer deposits	48,886	-	-	-	48,886
Bonds payable	447,321	-	-	1,523,289	1,970,610
Capital lease payable	-	-	-	27,785	27,785
Total Noncurrent Liabilities	519,603	-	-	1,610,095	2,129,698
Total Liabilities	615,378	15,117	588	2,621,247	3,252,330
Net Assets:					
Invested in capital assets, net of related debt	1,644,442	53,822	1,095,875	1,275,784	4,069,923
Unrestricted	712,624	52,719	103,009	(651,330)	217,022
Total Net Assets	2,357,066	106,541	1,198,884	624,454	4,286,945
Total Liabilities and Net Assets	\$ 2,972,444	\$ 121,658	\$ 1,199,472	\$ 3,245,701	\$ 7,539,275

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS – PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Solid Waste	Storm Drain	Golf Course	Total
Operating Revenues:					
Charges for services	\$ 438,743	\$ 274,226	\$ 47,583	\$ 720,136	\$ 1,480,688
Connection and servicing	11,342	-	-	-	11,342
Total Operating Revenues	450,085	274,226	47,583	720,136	1,492,030
Operating Expenses:					
Personnel services	111,329	-	15,726	384,812	511,867
Water purchases	102,166	-	-	-	102,166
Utilities	4,145	-	-	22,749	26,894
Repairs and maintenance	17,559	-	20,561	30,337	68,457
Materials and supplies	39,499	261,082	3,682	83,363	387,626
Depreciation	76,332	6,833	27,183	84,006	194,354
Total Operating Expenses	351,030	267,915	67,152	605,267	1,291,364
Operating Income (Loss)	99,055	6,311	(19,569)	114,869	200,666
Nonoperating Income (Expense):					
Interest income	15,112	919	1,509	271	17,811
Interest expense	(19,304)	-	-	(97,861)	(117,165)
Impact fees	207,709	-	-	-	207,709
Contributions/Grants	206,454	-	133,056	-	339,510
Loss from sale of capital assets	-	-	-	(920)	(920)
Total Nonoperating Income (Expense)	409,971	919	134,565	(98,510)	446,945
Income before transfers	509,026	7,230	114,996	16,359	647,611
Transfers in	-	-	23,000	128,585	151,585
Transfers out	(231,386)	-	-	-	(231,386)
Change in Net Assets	277,640	7,230	137,996	144,944	567,810
Net Assets, Beginning	2,049,426	99,311	57,732	559,354	2,765,823
Prior Period Adjustments	30,000	-	1,003,156	(79,844)	953,312
Net Assets, Ending	\$ 2,357,066	\$ 106,541	\$ 1,198,884	\$ 624,454	\$ 4,286,945

The notes to the financial statements are an integral part of this statement.

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WEST BOUNTIFUL CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Solid Waste	Storm Drain	Golf Course	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 459,713	\$ 274,871	\$ 48,001	\$ 880,485	\$ 1,663,070
Payments to suppliers	(172,657)	(265,982)	(24,750)	(132,542)	(595,931)
Payments to employees and related benefits	(97,780)	-	(15,730)	(354,798)	(468,308)
Net cash flows from operating activities	189,276	8,889	7,521	393,145	598,831
Cash Flows From Non-Capital Financing Activities:					
Transfers in	-	-	23,000	128,585	151,585
Transfers out	(231,386)	-	-	-	(231,386)
Grants and contributions received	-	-	13,154	-	13,154
Net cash flows from non-capital financing activities	(231,386)	-	36,154	128,585	(66,647)
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	(51,095)	(12,903)	-	(64,954)	(128,952)
Impact fees	207,709	-	-	-	207,709
Principal paid to long-term debt	(91,693)	-	-	(275,098)	(366,791)
Interest paid to long-term debt	(10,259)	-	-	(68,208)	(78,467)
Proceeds from sales of capital assets	-	-	-	12,180	12,180
Net cash flows from capital and related financing activities	54,662	(12,903)	-	(396,080)	(354,321)
Cash Flows From Investing Activities:					
Interest on investments	15,112	919	1,509	271	17,811
Net cash flows from investing activities	15,112	919	1,509	271	17,811
Net Increase (Decrease) In Cash and Cash Equivalents	27,664	(3,095)	45,184	125,921	195,674
Cash and Cash Equivalents, Beginning	637,362	39,151	53,409	-	729,922
Cash and Cash Equivalents, Ending	\$ 665,026	\$ 36,056	\$ 98,593	\$ 125,921	\$ 925,596

The notes to the financial statements are an integral part of this statement.

WEST BOUNTIFUL CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Solid Waste	Storm Drain	Golf Course	Total
Reconciliation of operating income to net cash flows from operating activities:					
Operating income (loss)	\$ 99,055	\$ 6,311	\$ (19,569)	\$ 114,869	\$ 200,666
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	76,332	6,833	27,183	84,006	194,354
Changes in assets and liabilities					
Accounts receivable, net	5,072	645	418	-	6,135
Prepaid expenses	(4,070)	-	-	-	(4,070)
Accounts payable	(353)	(4,900)	(511)	(953)	(6,717)
Compensated absences	7,606	-	-	59,021	66,627
Accrued liabilities	1,078	-	-	4,907	5,985
Due to other funds	-	-	-	127,049	127,049
Customer deposits	4,556	-	-	(29,054)	(24,498)
Unearned revenue	-	-	-	33,300	33,300
Net cash flows from operating activities:	\$ 189,276	\$ 8,889	\$ 7,521	\$ 393,145	\$ 598,831
Non cash activities					
Amortization of cost of issuance on bonds	\$ 3,396	\$ -	\$ 31,116	\$ -	\$ 34,512
Change in accrued interest	5,651	-	1,463	-	7,114
Donated assets	206,454	-	133,056	-	339,510

The notes to the financial statements are an integral part of this statement.

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WEST BOUNTIFUL CITY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Bountiful City (the City) was incorporated in 1948 and operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services. The City also provides water, solid waste, storm drain, and golf course services which are reported as proprietary enterprise funds.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City is discussed below. The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

Blended Component Unit

West Bountiful City Redevelopment Agency (RDA) serves all the citizens of the City and is governed by a board comprised of the members of the City Council. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the RDA have been included in the financial reporting entity as a blended component unit.

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general administrative services, public safety, highways and streets, and parks are classified as governmental activities. The City's water, solid waste, storm drain, and golf course services are classified as business-type activities.

WEST BOUNTIFUL CITY NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary Funds and Special Revenue Funds).

The Redevelopment Fund provides redevelopment activities located within City limits and is accounted for as a special revenue fund.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Solid Waste Fund accounts for the activities of the City's garbage collection system.

The Storm Drain Fund accounts for the provision of this service to the residents of the City.

The Golf Course Fund accounts for the activities of the City's golf course.

Additionally, the City reports the following fund types:

Special revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for the General and special revenue funds are identical. The City accounts for Street, Storm Drain, Police Facility, and Park impact fees in special revenue funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 for infrastructure assets and \$500 for all other assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of fixed assets is computed using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings	30-40
Improvements other than buildings	5-40
Machinery and equipment	5-20
Water and Storm Drain systems	25-50
Infrastructure	25-40
Vehicles	5-10

(D) Budgets

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Manager/Budget Officer and City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations.

Budgets include activities in several different funds, including the General Fund, special revenue funds, and enterprise funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above percentage, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. With the consent of the City Manager, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Capital Projects Fund, and special revenue funds, are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgets (Continued)

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is neither practicable, nor appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

(E) Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the City are assessed and collected by Davis County. Taxes are levied as of January 1 and due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If delinquent taxes have not been paid, after five years the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

The Utah State Tax Commission collects sales and telecommunications taxes and are remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utility companies, and remitted monthly. Cable television companies collect the franchise taxes and are remitted to the City semi-annually.

(F) Cash and cash equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

(G) Inventory

Inventories of the enterprise funds are stated at cost using the first-in first-out method.

(H) Prepays

Prepays in the governmental funds are accounted for using the consumption method.

(I) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

(J) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) Long-Term Obligations (Continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(K) Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a bi-weekly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation, up to 240 hours, is paid to the employee or his or her beneficiary. Accumulated sick leave is earned at a rate of 4 hours per pay period. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave up to 1,440 hours. Accumulated sick leave paid to employees upon retirement is limited depending on years of service with West Bountiful City as follows:

- Retiring employees with at least ten years of service may cash out 20% of accumulated hours or 288 hours, whichever is less.
- Retiring employees with at least 20 years of service may cash out 40% of accumulated hours, or 576 hours, whichever is less.
- Retiring employees with at least 25 years of service may cash out 50% of accumulated hours or 720 hours, whichever is less.

The amount of accumulated leave is accrued when incurred in the government-wide, proprietary fund financial statements. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave.

(L) Fund equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Contributed capital represents resources acquired through capital grants and capital contributions from developers, customers or other funds.

(M) Interfund transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain enterprise funds, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

(N) Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

WEST BOUNTIFUL CITY **NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes the cash account and one investment, which is available for use by all funds.

The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on hand and on deposit:			
Cash on hand	\$ 350	N/A	N/A
Cash on deposit	850,176	N/A	N/A
Utah State Treasurer's investment pool account	1,102,984	N/A	N/A
Total cash and investments	<u>\$ 1,953,510</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing only in the Utah Public Treasurer's Investment Fund.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2005, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk – deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$750,176 of the City's \$850,176 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Custodial credit risk – investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Cash and investments are included in the accompanying combined Statement of Net Assets as follows:

Cash and cash equivalents and investments	\$ 1,441,140
Restricted cash and cash equivalents and investments	<u>476,067</u>
Total cash and investments	<u><u>\$ 1,917,207</u></u>

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2005 for all funds is \$4,200.

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2005:

Restricted for special projects and programs	\$ 288,486
Restricted for debt payments	162,805
Restricted bond proceeds	14,915
Restricted for Class "C" roads	<u>9,861</u>
Total	<u><u>\$ 476,067</u></u>

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005, is as follows:

	Beginning Balance July 1, 2004	Additions	Deletions	Ending Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,850,200	\$ 202,500	\$ -	\$ 5,052,700
Construction in progress	79,853	165,810	135,853	109,810
Total capital assets, not being depreciated	4,930,053	368,310	135,853	5,162,510
Capital assets, being depreciated:				
Buildings	2,981	1,861,869	2,980	1,861,870
Improvements other than buildings	6,858,694	903,313	-	7,762,007
Machinery and equipment	243,946	132,595	3,702	372,839
Vehicles	430,575	-	6,701	423,874
Total capital assets, being depreciated	7,536,196	2,897,777	13,383	10,420,590
Less accumulated depreciation for:				
Buildings	2,123	5,172	2,123	5,172
Improvements other than buildings	3,830,432	262,474	-	4,092,906
Machinery and equipment	175,634	33,469	3,702	205,401
Vehicles	158,317	49,616	6,701	201,232
Total accumulated depreciation	4,166,506	350,731	12,526	4,504,711
Total capital assets being depreciated, net	3,369,690	2,547,046	857	5,915,879
Governmental activities capital assets, net	\$ 8,299,743	\$ 2,915,356	\$ 136,710	\$ 11,078,389

Depreciation expense was charged to functions/programs of the primary governmental activities as follows:

Governmental activities:	
General government	\$ 18,335
Highways and public improvements	267,192
Parks, recreation and public property	6,273
Public safety	58,931
Total depreciation expense - governmental activities	\$ 350,731

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2005:

	Beginning Balance July 1, 2004	Additions	Deletions	Ending Balance June 30, 2005
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,726,837	\$ 16,660	\$ -	\$ 1,743,497
Total capital assets, not being depreciated	<u>1,726,837</u>	<u>16,660</u>	<u>-</u>	<u>1,743,497</u>
Capital assets, being depreciated:				
Buildings	281,101	20,133	-	301,234
Golf Course	1,871,306	-	3,341	1,867,965
Water distribution system	2,797,396	209,788	1,922	3,005,262
Storm drain system	1,244,959	103,242	-	1,348,201
Machinery and equipment	560,569	78,667	14,750	624,486
Vehicles	140,014	30,153	19,653	150,514
Total capital assets, being depreciated	<u>6,895,345</u>	<u>441,983</u>	<u>39,666</u>	<u>7,297,662</u>
Less accumulated depreciation for:				
Buildings	74,743	9,957	-	84,700
Golf Course	492,651	42,834	2,670	532,815
Water distribution system	917,982	63,193	218	980,957
Storm drain system	383,884	27,183	-	411,067
Machinery and equipment	460,321	41,094	13,185	488,230
Vehicles	106,094	10,093	19,037	97,150
Total accumulated depreciation	<u>2,435,675</u>	<u>194,354</u>	<u>35,110</u>	<u>2,594,919</u>
Total capital assets being depreciated, net	<u>4,459,670</u>	<u>247,629</u>	<u>4,556</u>	<u>4,702,743</u>
Business-type activities capital assets, net	<u><u>\$ 6,186,507</u></u>	<u><u>\$ 264,289</u></u>	<u><u>\$ 4,556</u></u>	<u><u>\$ 6,446,240</u></u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities:	
Golf course	\$ 84,006
Solid waste	6,833
Storm drain	27,183
Water	76,332
Total depreciation expense - business-type activities	<u><u>\$ 194,354</u></u>

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2005:

	Long-term debt payable at July 1, 2004	Additions	Reductions	Long-term debt payable at June 30, 2005	Due Within One Year
Governmental Activities:					
Bonds payable					
Sales tax revenue bond	\$ 2,215,000	-	55,000	2,160,000	50,000
Less: debt issuance costs	(56,000)		(2,256)	(53,744)	
Total bonds payable	2,159,000	-	52,744	2,106,256	50,000
Other liabilities					
Compensated absences	107,718	71,074	-	178,792	-
Total other liabilities	107,718	71,074	-	178,792	-
Governmental activities long-term liabilities	2,266,718	71,074	52,744	2,285,048	50,000
Business-type activities					
Bonds payable					
Water revenue bond	640,000	-	89,000	551,000	85,000
G.O. refunding bonds	2,331,011	-	269,000	2,062,011	282,000
Less: debt issuance costs	(309,913)	-	(34,512)	(275,401)	-
Total bonds payable	2,661,098	-	323,488	2,337,610	367,000
Capital leases payable					
Yamaha golf carts 2003 - lease	24,502	-	5,791	18,711	6,099
Yamaha golf carts 2004 - lease	-	24,680	4,684	19,996	4,823
Total capital leases payable	24,502	24,680	10,475	38,707	10,922
Other liabilities					
Compensated absences	44,845	37,572	-	82,417	-
Total other liabilities	44,845	37,572	-	82,417	-
Business-type activities long-term liabilities	2,730,445	62,252	333,963	2,458,734	377,922
Total	\$ 4,997,163	\$ 133,326	\$ 386,707	\$ 4,743,782	\$ 427,922

Compensated absences are generally liquidated by the General, Water, and Golf funds.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

Governmental Activities

Sales Tax Revenue Bonds, Series 2004

In May 2004, the City issued Sales Tax Revenue Bonds, Series 2004 with an original issue amount of \$2,215,000 to fund the acquisition and construction of a new City Hall and Public Works building. There were costs associated with the issuance of the bonds of \$56,000 that are being amortized over the life of the bonds. The bonds have an interest rate ranging from 3.0% to 4.5%. The City is required to make annual principal installments on May 1, of each year and semi-annual interest payments on May 1, and Nov 1, of each year. The City has pledged the future sales tax revenue to service the debt. The City is required to maintain a debt service reserve account. The balance in the debt service reserve account related to this bond as of June 30, 2005 is \$162,805. The bonds mature in September 2029.

The annual debt service requirements to maturity, including principal and interest, for the Series 2004 Sales Tax Revenue Bonds, as of June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 50,000	\$ 107,277	\$ 157,277
2007	55,000	105,777	160,777
2008	55,000	104,128	159,128
2009	55,000	101,927	156,927
2010	60,000	99,727	159,727
2011-2015	340,000	457,085	797,085
2016-2020	430,000	365,511	795,511
2021-2025	555,000	242,700	797,700
2026-2029	560,000	77,490	637,490
	<u>\$ 2,160,000</u>	<u>\$ 1,661,622</u>	<u>\$ 3,821,622</u>

Business-type Activities

Water Revenue Refunding Bonds, Series 2004

In April 2004, the City issued Water Revenue Refunding Bonds, Series 2004 with an original issue amount of \$640,000 to refinance Water Revenue Bonds Series 1993. The cost associated with the issuance of the bonds of \$22,075, is being amortized over the life of the bonds. The bonds have an interest rate ranging from 2.05% to 4.02%. The City is required to make annual principal installments due on January 1 of each year. The City is also required to make semi-annual interest payments on January 1, and July 1, of each year. The City has pledged future water revenue to service the debt. The bonds mature in January 2011.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest for the Series 2004 Water Revenue Refunding Bonds as of June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 85,000	\$ 18,692	\$ 103,692
2007	88,000	16,533	104,533
2008	90,000	13,937	103,937
2009	93,000	10,976	103,976
2010	96,000	7,637	103,637
2011	99,000	3,980	102,980
	551,000	\$ 71,755	\$ 622,755
Less debt issuance costs	(18,679)		
	<u>\$ 532,321</u>		

General Obligation Golf Course Refunding Bonds, Series 2003

In July 2003, the City issued General Obligation Golf Course Refunding Bonds, Series 2003 with an original issue amount of \$2,020,000 to refinance the outstanding Series 1995 General Obligation Refunding Bonds issued for the acquisition, design, and construction of land improvements in connection with the Lakeside Golf Course which is owned and operated by West Bountiful City. The bonds have an interest rate ranging from 2.25% to 3.50%. There were costs associated with the issuance of these bonds, including the unamortized portion of the Series 1995 Bonds, totaling \$287,838, which is being amortized over the life of the bond. The City is required to make annual principal installments due on September 1 of each year and make semi-annual interest payments on March 1, and September 1, of each year. The bonds mature in September 2013.

The annual debt service requirements to maturity, including principal and interest for the Series 2003 General Obligation Golf Course Refunding Bonds as of June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 205,000	\$ 49,162	\$ 254,162
2007	205,000	44,550	249,550
2008	185,000	40,163	225,163
2009	195,000	35,522	230,522
2010	200,000	30,212	230,212
2011-2013	835,011	58,033	893,044
	1,825,011	\$ 257,642	\$ 2,082,653
Less debt issuance costs	(256,722)		
	<u>\$ 1,568,289</u>		

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

General Obligation Golf Course Refunding Bonds, Series 2002

In April 2002, the City issued General Obligation Golf Course Refunding Bonds, Series 2002 with an original issue amount of \$451,000 to refinance the General Obligation Refunding Bonds, Series 1992. The bonds have an interest rate ranging from 2.69% to 4.50%. The City is required to make annual principal installments due on April 1, of each year and make semi-annual interest payments on April 1, and October 1, of each year. The bonds mature in April 2008.

The annual debt service requirements to maturity, including principal and interest for the Series 2002 Golf Course Refunding Bonds as of June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 77,000	\$ 10,313	\$ 87,313
2007	81,000	7,095	88,095
2008	79,000	3,555	82,555
	<u>\$ 237,000</u>	<u>\$ 20,963</u>	<u>\$ 257,963</u>

NOTE 7 CAPITAL LEASES

The City has acquired certain enterprise assets financed with capital leases. The leased assets and related capital lease obligations are accounted for in the enterprise funds.

In April 2003, the City entered into a lease with Yamaha Motor Corporation to lease 10 golf carts. The City is required to make annual installments on July 1, of each year of \$6,928 and the term of the lease is for 61 months. The present value of the future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2006	\$ 6,928
2007	6,928
2008	6,928
Total minimum lease payments	20,784
Less: amount representing interest	(2,073)
Present value of net minimum lease payments	<u>\$ 18,711</u>

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 CAPITAL LEASES (Continued)

In June 2004, the City entered into a lease with Yamaha Motor Corporation to lease 10 golf carts for use at the golf course. The City is required to make annual installments in July 1, of each year of \$5,508 and the term of the lease is for 59 months. The present value of the future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2006	\$ 5,508
2007	5,508
2008	5,508
2009	5,508
	<hr/>
Total minimum lease payments	22,032
Less: amount representing interest	(2,036)
	<hr/>
Present value of net minimum lease payments	\$ 19,996
	<hr/>

The assets acquired that are obligated under capital leases are included in the proprietary funds statement of net assets as follows:

<u>Asset:</u>	<u>Golf Fund</u>
Machinery and equipment	\$ 54,680
Less: Accumulated depreciation	(18,936)
	<hr/>
	\$ 35,744
	<hr/>

NOTE 8 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2005, there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2005, which exceeded its insurance coverage. The City also has fidelity bond coverage with a private carrier.

NOTE 9 RETIREMENT PLAN

Cost Sharing Defined Benefits Pension Plans

Plan description: The City contributes to the Local Governmental Contributory Retirement System and the Public Safety Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans. These plans are administered by the Utah Retirement Systems (the Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

WEST BOUNTIFUL CITY NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLAN (Continued)

Cost Sharing Defined Benefits Pension Plans (Continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Local Government Contributory Retirement System

Funding policy: Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary (all of which is paid by the City), and the City is required to contribute 7.08% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003, were \$66,597, \$54,043, and \$49,584 respectively. The contributions were equal to the required contributions for each year.

Public Safety Retirement System

Plan description: The City contributes to a Public Safety defined benefit pension plan, for public safety employees, which provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. West Bountiful City is affiliated with the Utah Retirement Systems Public Safety Retirement System, an agent multiple-employer and cost sharing multiple-employer pension plan administered by the Utah Retirement Systems (Systems). The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the West Bountiful City Public Safety Retirement System. A copy of the report may be obtained by writing to the Utah Retirement System, 540 E 200 S, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Agent Multiple Employer Defined Benefit Pension Plan

Funding Policy: The City is required to contribute 19.99% of members' annual covered salary in the Public Safety defined benefit plan. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Public Safety Retirement System for the years ended June 30, 2005, 2004, 2003, were \$46,418, \$32,378, and \$22,299 respectively. The City's Public Safety Retirement annual pension cost was equal to the City's required and actual contributions.

401(k) defined contribution and 457 deferred compensation plans

This City offers its employees participation in 401(k) and 457 plans offered through the Utah Retirement System. The City only contributes as per City statute. The City offers three classes of health insurance plans and the City agrees to pay for the middle plan. If an employee elects to take the lower plan or does not elect to have health insurance through the City, the City will determine the difference between the cost to the City for the middle insurance plan and the actual cost to the city and contribute that amount to the employees' 457 or 401(k) plan.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLAN (Continued)

IRC Code Section 401(k) Plan

The City participates in a 401(k) plan offered through the Utah State Retirement System. The plan under Internal Revenue Code Section 401(k) is available to all permanent full-time City employees after nine consecutive months of service and permits the employee to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The contribution for fiscal year ended June 30, 2005 was \$56,195, which consisted of \$17,244 from employee contributions and \$38,951 from City contributions.

The assets and income of the Internal Revenue Code Section 401(k) Plan are held in trust by the Utah Retirement System for the exclusive benefit of the participants or their beneficiaries.

IRC Code Section 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent full time City employees after nine months of consecutive service, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The contribution for fiscal year ended June 30, 2005 was \$6,815, all of which was contributed by the City.

The assets and income of the Internal Revenue Code Section 457 Plan are held in trust by the Utah Retirement System for the exclusive benefit of the participants or their beneficiaries.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The City believes that possible contingencies (contingencies incurred but not reported) where the loss cannot be reasonably estimated are immaterial to the financial statements of the City. The City entered into a contract with a construction company to build a new public works building for \$237,072. As of June 30, 2005 the public works building was not complete and the City had approximately \$118,790 in outstanding construction commitments.

NOTE 11 RELATED PARTY INFORMATION

An individual appointed by the City Council serves on the board of the South Davis Sewer District. The City purchased services \$3,563 from this organization during the fiscal year.

A City employee serves on the board of the Davis Mosquito Abatement District. There were no transactions between the City and this entity during the fiscal year.

NOTE 12 INTERLOCAL AGREEMENTS AND SERVICE DISTRICTS

The City participates in the following special districts to provide services to its residents:

Davis County Solid Waste Management and Emergency Recovery Special Service District
South Davis Metro Fire District
South Davis Sewer District

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 INTERLOCAL AGREEMENTS AND SERVICE DISTRICTS (Continued)

The Davis County Solid Waste Management and Emergency Recovery Special Service District bills the City for services received and the City bills its residents for this service. The City paid the Davis County Solid Waste Management and Emergency Recovery Special Service District \$191,814 for their services. The City paid the South Davis Metro Fire District \$246,637 for fire services. South Davis Sewer District bills the City's residents directly for the services provided.

The City has representatives on the governing boards of the above districts but does not have total or final control over the fiscal or administrative activities of these entities. Payments for services to these entities are included as expenditures of the City's General Fund and enterprise funds.

NOTE 13 OPERATING TRANSFERS RECONCILIATION

Activities between the funds during the year to subsidize operations are reported as transfers. The operating transfers among the funds for the year ended June 30, 2005 were as follows:

	<u>In</u>	<u>Out</u>
Governmental funds		
General	\$ 55,536	\$ 130,545
Storm Drain Impact Fees	-	23,000
Police Facilities Impact Fees	-	22,536
Redevelopment Agency	40,000	-
Capital Improvements	198,386	38,040
Enterprise funds		
Water	-	231,386
Storm Drain	23,000	-
Golf Course	128,585	-
	<u>\$ 445,507</u>	<u>\$ 445,507</u>

The resulting composition of the interfund balances as of June 30, 2005 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 449,924	\$ -
Capital Improvements Fund	188,040	-
Golf Course Fund	-	637,964
	<u>\$ 637,964</u>	<u>\$ 637,964</u>

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 REDEVELOPMENT AGENCY OF WEST BOUNTIFUL CITY

For the year ended June 30, 2005, the following activity occurred in the City's Redevelopment Agency:

Tax increment collected	\$ 269,567
Amounts expended for site improvements and preparation costs	205,211
Amounts expended for legal and professional fees	110,890
Amounts expended for administration costs	58,997

NOTE 15 PRIOR PERIOD ADJUSTMENTS

Governmental Funds:

Management determined that land under roads owned by the City had not been capitalized as required by GASB No. 34 in the amount of \$4,420,530 and accordingly land and the governmental activities equity was increased by this amount.

Management determined that several capital assets were inappropriately accounted for and made adjustments to correctly record the cost and associated accumulated depreciation, as follows:

1. A storm drain retention pond and a canal were inappropriately included in the General Fund fixed assets and were transferred to the Storm Drain Fund, resulting in a net decrease of \$316,954 in the governmental activities equity.
2. Several vehicles were not properly capitalized or depreciated and accordingly a net increase of \$132,759 was recorded in the governmental activities equity account.

Management determined that in the prior year the City had inappropriately capitalized costs associated with the temporary City Offices during the construction of the new City Hall and Public Works building. Accordingly, an adjustment has been made to decrease construction in progress and the Capital Projects Fund equity account for \$56,000.

In the prior period, the City recognized revenue for estimated property taxes assessed, however to be in accordance with GASB No. 33, the revenue should be deferred until realized in the future. Therefore, an adjustment to decrease the governmental activities equity balance for \$307,769 was made.

Proprietary Funds:

Management determined that the storm drain system had not been capitalized. Accordingly, the beginning capital assets were increased by \$1,387,040, beginning accumulated depreciation was increased by \$383,884 and the Storm Drain Fund equity was increased by \$1,003,156.

Management determined that the Water Fund had approximately \$30,000 in water parts inventory for the year ended June 30, 2004. Therefore, the beginning inventory in the Water Fund and Water Fund equity was increased by \$30,000.

Management determined that some machinery and equipment in the Golf Course Fund was not properly recorded or depreciated and a net adjustment of \$11,871, was required resulting in a decrease in the Golf Course Fund equity for the same amount.

WEST BOUNTIFUL CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 PRIOR PERIOD ADJUSTMENTS (Continued)

Management reevaluated the amortization of the cost of issuance for bonds in the Golf Course Fund and determined that an adjustment of \$67,973 was needed to decrease the amount capitalized as the bond cost of issuance and decrease Golf Course Fund equity.

NOTE 16 OTHER REQUIRED FUNDS DISCLOSURE

For the year ended June 30, 2005, the Fire Department exceeded appropriations by \$2,533.

SUPPLEMENTAL INFORMATION

WEST BOUNTIFUL CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Impact Fees	Storm Drain Impact Fees	Police Facility Impact Fees	Park Impact Fees	
Assets:					
Restricted assets:					
Cash and cash equivalents and investments	\$ 44,955	\$ 51,814	\$ 6,372	\$ 185,345	\$ 288,486
Total Assets	<u>\$ 44,955</u>	<u>\$ 51,814</u>	<u>\$ 6,372</u>	<u>\$ 185,345</u>	<u>\$ 288,486</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Unreserved	<u>44,955</u>	<u>51,814</u>	<u>6,372</u>	<u>185,345</u>	<u>288,486</u>
Total Fund Balances	<u>44,955</u>	<u>51,814</u>	<u>6,372</u>	<u>185,345</u>	<u>288,486</u>
Total Liabilities and Fund Balances	<u>\$ 44,955</u>	<u>\$ 51,814</u>	<u>\$ 6,372</u>	<u>\$ 185,345</u>	<u>\$ 288,486</u>

WEST BOUNTIFUL CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Impact Fees	Storm Drain Impact Fees	Police Facility Impact Fees	Park Impact Fees	
Revenues:					
Interest on investments	\$ 717	\$ 1,116	\$ 240	\$ 3,003	\$ 5,076
Impact fees	19,213	19,139	11,908	79,386	129,646
Total Revenues	19,930	20,255	12,148	82,389	134,722
Expenditures:					
Parks	-	-	-	919	919
Total Expenditures	-	-	-	919	919
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,930	20,255	12,148	81,470	133,803
Other Financing Sources (Uses):					
Transfer out	-	(23,000)	(22,536)	-	(45,536)
Total Other Financing Sources (Uses)	-	(23,000)	(22,536)	-	(45,536)
Net Change in Fund Balances	19,930	(2,745)	(10,388)	81,470	88,267
Fund Balance, Beginning	25,025	54,559	16,760	103,875	200,219
Fund Balance, Ending	\$ 44,955	\$ 51,814	\$ 6,372	\$ 185,345	\$ 288,486

WEST BOUNTIFUL CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	\$ 21,000	\$ 21,000	\$ 53,925	\$ 32,925
Interest on investments	6,000	6,000	5,146	(854)
Total Revenues	27,000	27,000	59,071	32,071
Expenditures:				
General government	-	116,118	102,422	13,696
Bond issuance costs	-	243,298	-	243,298
Capital outlay	2,121,084	2,288,859	2,018,898	269,961
Total Expenditures	2,121,084	2,648,275	2,121,320	526,955
Excess (deficiency) of Revenues Over (Under) Expenditures	(2,094,084)	(2,621,275)	(2,062,249)	559,026
Other Financing Sources (Uses):				
Transfer in	286,318	386,318	198,386	(187,932)
Transfer out	(151,933)	(38,040)	(38,040)	-
Sale of bonds	1,971,702	2,235,000	-	(2,235,000)
Sale of capital assets	-	-	13,770	13,770
Total Other Financing Sources (Uses)	2,106,087	2,583,278	174,116	(2,409,162)
Net Change in Fund Balance	\$ 12,003	\$ (37,997)	(1,888,133)	\$ (1,850,136)
Fund Balance, Beginning			2,540,422	
Fund Balance, Ending			\$ 652,289	

WEST BOUNTIFUL CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR STREETS IMPACT FEES
SPECIAL REVENUE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Impact fees	\$ 22,000	\$ 22,000	\$ 19,213	\$ (2,787)
Interest on investments	150	150	717	567
Total Revenues	22,150	22,150	19,930	(2,220)
Expenditures:				
General government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of Revenues Over (Under) Expenditures	22,150	22,150	19,930	(2,220)
Net Change in Fund Balance	<u>\$ 22,150</u>	<u>\$ 22,150</u>	19,930	<u>\$ (2,220)</u>
Fund Balance, Beginning			25,025	
Fund Balance, Ending			<u>\$ 44,955</u>	

WEST BOUNTIFUL CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR STORM DRAIN IMPACT FEES
SPECIAL REVENUE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Impact fees	\$ 7,000	\$ 7,000	\$ 19,139	\$ 12,139
Interest on investments	500	500	1,116	616
Total Revenues	7,500	7,500	20,255	12,755
Expenditures:				
General government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of Revenues Over (Under) Expenditures	7,500	7,500	20,255	12,755
Other Financing Sources (Uses):				
Transfer out	(23,000)	(23,000)	(23,000)	-
Total Other Financing Sources (Uses)	(23,000)	(23,000)	(23,000)	-
Net Change in Fund Balance	\$ (15,500)	\$ (15,500)	(2,745)	\$ 12,755
Fund Balance, Beginning			54,559	
Fund Balance, Ending			<u>\$ 51,814</u>	

WEST BOUNTIFUL CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR POLICE IMPACT FEES
SPECIAL REVENUE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Impact fees	\$ 14,500	\$ 14,500	\$ 11,908	\$ (2,592)
Interest on investments	100	100	240	140
Total Revenues	14,600	14,600	12,148	(2,452)
Expenditures:				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of Revenues Over (Under) Expenditures	14,600	14,600	12,148	(2,452)
Other Financing Sources (Uses):				
Transfer out	(25,000)	(25,000)	(22,536)	2,464
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(22,536)	2,464
Net Change in Fund Balance	\$ (10,400)	\$ (10,400)	(10,388)	\$ 12
Fund Balance, Beginning			16,760	
Fund Balance, Ending			<u>\$ 6,372</u>	

WEST BOUNTIFUL CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR PARK IMPACT FEES
SPECIAL REVENUE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Impact fees	\$ 61,000	\$ 61,000	\$ 79,386	\$ 18,386
Interest on investments	650	650	3,003	2,353
Total Revenues	61,650	61,650	82,389	20,739
Expenditures:				
Parks	18,000	18,000	919	17,081
Total Expenditures	18,000	18,000	919	17,081
Excess (deficiency) of Revenues Over (Under) Expenditures	43,650	43,650	81,470	37,820
Net Change in Fund Balance	\$ 43,650	\$ 43,650	81,470	\$ 37,820
Fund Balance, Beginning			103,875	
Fund Balance, Ending			\$ 185,345	

WEST BOUNTIFUL CITY
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**WEST BOUNTIFUL CITY
SUPPLEMENTARY REPORTS
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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
West Bountiful City
West Bountiful City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Bountiful City, as of and for the year ended June 30, 2005, which collectively comprise West Bountiful City's basic financial statements and have issued our report thereon dated November 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Bountiful City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect West Bountiful City's ability to record process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying *Schedule of Findings and Recommendations*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. However, the reportable conditions we consider to be material weaknesses are described in the accompanying *Schedule of Findings and Recommendations*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Bountiful City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the City in the accompanying *Schedule of Findings and Recommendations*.

This report is intended for the information and use of the Mayor, City Council and management of West Bountiful City and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Tensen & Keddington

November 14, 2005



Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA**INDEPENDENT AUDITOR'S REPORT
ON STATE OF UTAH
LEGAL COMPLIANCE**

Honorable Mayor and
Members of City Council
West Bountiful City
West Bountiful, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Bountiful City, for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005. As part of our audit, we have audited West Bountiful City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

B&C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts
- B & C Road Funds
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees
- Asset Forfeiture

The management of West Bountiful City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion, which is expressed in the following paragraph.

In our opinion, West Bountiful City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Tensen & Keddington

November 14, 2005

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2005

STATE LEGAL COMPLIANCE
IMMATERIAL INSTANCES OF NONCOMPLIANCE

CITY TREASURER IS UNDERBONDED

Finding

During our audit we noted that the City Treasurer is under bonded by approximately \$90,000. The Utah State Code 51-7-15 and Rule 4 of the Money Management Council require that the Treasurer be insured by a fidelity bond for at least 6% of the prior year's budgeted gross revenues.

Recommendation

We recommend the City monitor and evaluate, on an annual basis, the fidelity bond purchased for the public treasurer of the City, to ensure that adequate insurance is in place.

Response

The City will shortly purchase additional fidelity bond insurance to satisfy this requirement.

CITY NOT FOLLOWING PURCHASING PROCEDURES

Finding

The City's Purchasing Policy states that all purchases over \$100 require a purchase order. We performed a test of cash disbursements, and of the 17 items that were over \$100, we noted 12 instances that the disbursement did not have a purchase order. The City is not following its own purchasing policy and is therefore not in compliance with Utah Code 63-56.

Recommendation

We recommend that the City closely follow and observe its own policies and procedures.

Response

The City will monitor purchases more closely to ensure purchase order compliance. Additionally, the City will review its purchasing policy to make it more streamlined and practical, where possible.

EXPENDITURES IN EXCESS OF BUDGET

Finding

Utah State Code states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriations for any department or fund." The City's expenditures exceeded the budget in the following department and fund:

<u>Department/Fund</u>	<u>Amount Expenditures Exceeded Budget</u>
General Fund	
Fire	\$ 2,553

Recommendation

We recommend the City closely monitor expenditures in all departments and funds to ensure compliance with the Utah State Code.

Response

The City will continue to monitor budgetary compliance closely to ensure all departments comply with budget.

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2005

JUSTICE COURT – SURCHARGE REMITTANCE

Finding

During our audit procedures, we tested the accumulation of surcharges to the monthly collections summary report and then to the monthly amount submitted to the State of Utah, which is required to be received by the 10th of the following month according to Utah Code 51-4-2(2)(a). We noted that the report and collections were not remitted to the State by the 10th of the following month in 6 of 12 months during the year.

Recommendation

We recommend the City's Justice Court closely monitor the due date of the reports and remittance required for the State surcharges, to ensure that monies collected are reported and remitted within the State's prescribed guidelines.

Response

The City will pay particular attention to paying state surcharges per requirements of existing law.

JUSTICE COURT - DISMISSALS

Finding

The Justice Court is required to obtain and retain documentation to support a dismissal, suspension, or credit granted by the Court. In one out of 25 cases tested, proper documentation was not available to support the dismissal. An appropriate reason or explanation for the dismissal was also not provided.

Recommendation

We recommend that the City obtain and retain supporting documentation to support all the dismissals granted pursuant to judicial order and Utah State Code.

Response

The City will strive to make sure that all court dismissals carry supporting documentation.

REPORTABLE CONDITIONS

SEGREGATION OF DUTIES – JUSTICE COURT

Finding

There is a lack of segregation of duties in the City's Justice Court System. The Court Clerk maintains all the records related to the Court, including the Court's receivables and dismissals of fines. The Court Clerk is also the City Treasurer and therefore, the Court Clerk has access to the payments received through the court as well as the ability to dismiss the receivable. We feel that this lack of segregation of duties has the potential for misappropriation of funds received in the City's Justice Court.

Recommendation

We recommend that the City implement internal control procedures to help compensate for the lack of segregation of duties in the accounting of Justice Court transactions.

Response

The City will review its current segregation of duties and make necessary changes to remedy this, within current staffing constraints.

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2005

CHECK SIGNERS

Finding

During our review of internal controls and duties of the employees we noted that the City Recorder is signing checks.

According to Utah Code 10-3-810 "neither the Mayor or the Recorder may serve as Treasurer". From this we feel that the Recorder may not act as the Treasurer. Utah 10-6-143 states that "The treasurer, or in his absence a deputy treasurer is appointed by the governing body, shall sign all checks prepared." We, therefore, feel that the City Recorder should not sign checks.

Recommendation

We recommend that the City Recorder not sign checks.

Response

The City will make the necessary changes to procedures and existing signature cards to change check signers to comply with this finding as quickly as possible.

JOURNAL ENTRIES

Finding

We noted during our audit that the City makes numerous journal entries throughout the year and the City does not have a policy or procedures set up to approve and authorize the journal entries prior to being entered into the accounting system. The City should have procedures in place to approve journal entries before they are entered into the accounting system. Inappropriate journal entries could result in misappropriation of assets or recording transactions incorrectly.

Recommendation

We recommend that the City put controls in place to ensure that all journal entries are properly authorized and approved before being entered into the accounting system.

Response

The City will now have the City Administrator review and approve manual journal entries each month.

MATERIAL WEAKNESSES

CAPITAL AND OPERATING LEASES

Finding

During our audit it was noted that there was a capital lease that had been recorded with an incorrect amount, and another capital lease was incorrectly treated as an operating lease. Management has a responsibility to understand the underlying transactions of the City, and to record those transactions in accordance with generally accepted accounting principles.

Recommendation

We recommend that the City understand the underlying transactions and appropriate accounting treatment for recording capital and operating leases.

Response

The City intends to not enter into new capital leases beyond those already in force with fixed expiration dates.

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2005

PRIOR PERIOD ADJUSTMENTS TO CAPITAL ASSETS OF GOVERNMENTAL FUNDS

Finding

During our audit it was noted that land under roads owned by the City had not been capitalized as required by GASB No. 34 in the amount of \$4,420,530.

It was also noted that several capital assets were inappropriately accounted for and management made adjustments to correctly record the cost and associated accumulated depreciation, as follows:

1. A storm drain retention pond and canal was inappropriately included in the General Fund fixed assets was transferred to the Storm Drain Fund, resulting in a net decrease of \$316,954 in the governmental activities equity.
2. The City owned two vehicles that were not on the City's financial records resulting in an increase in fixed assets of \$38,677 and corresponding accumulated depreciation of \$12,763.
3. We noted five vehicles that were not being properly depreciated resulting in an adjustment to accumulated depreciation of \$106,845.

It appears that there are no controls in place to ensure that capital assets, and their corresponding accounts, are appropriately recorded and accounted for. This resulted in several adjustments being made to the fiscal year's beginning balances.

Recommendation

We recommend that the City put in place controls and oversight procedures to ensure that all capital assets are appropriately recorded and accounted for as assets of the City.

Response

The City is currently reviewing its Asset Management Policy to streamline it and follow more national standards and benchmarks for capitalization threshold amounts. Such administrative policy should reduce current accounting burdens and make the overall process more accurate and timely.

PRIOR PERIOD ADJUSTMENT TO CAPITAL ASSETS OF PROPRIETARY FUNDS

Finding

During our audit it was noted that the Storm Drain System had not been capitalized. Accordingly, the beginning capital assets were increased by \$1,387,040, beginning accumulated depreciation was increased by \$383,884 and the Storm Drain Fund equity was increased by \$1,003,156.

Additionally, we noted that ten golf carts in the Golf Course Fund was not properly recorded or depreciated and a net adjustment of \$11,871 was required resulting in a decrease in the Golf Course Fund equity for the same amount.

Management has a responsibility to properly record and account for the assets of the City. It appears that there are no internal controls in place to ensure that capital assets, and their corresponding accounts, are appropriately recorded and accounted for. This resulted in several adjustments being made to the fiscal year's beginning balances.

Recommendation

We recommend that the City put in place controls and oversight procedures to ensure that all capital assets are appropriately recorded and accounted for as assets of the City.

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2005

Response

The City will make changes and improvements to Asset Management, as discussed in the previous response, which should correct this deficiency.

PRIOR PERIOD ADJUSTMENT TO WATER FUND INVENTORY

Finding

During our audit it was noted that the Water Fund had approximately \$30,000 in water parts inventory for the year ended June 30, 2004. Therefore, the beginning inventory in the Water Fund and Water Fund equity was increased by \$30,000. Management should account for and safeguard all of the assets of the City. Inventory should be recorded when purchased, and expended as it is either sold or used. The City has no systems or controls in place to ensure that all inventories have been included within the accounting system. This required an adjustment to the beginning balances of the current fiscal year.

Recommendation

We recommend that controls and oversight be put in place to ensure that all assets are included within the accounting records of the City, and to provide adequate safeguards over those assets.

Response

The City will review its inventory tracking and recording procedures to ensure that this requirement is met.

PRIOR PERIOD ADJUSTMENT FOR UNEARNED REVENUE

Finding

During our audit it was noted that in the prior year, the City recognized revenue in the Statement of Activity for estimated property taxes assessed. In order to be in accordance with GASB No. 33, the revenue should be deferred until realized in the future. Therefore, an adjustment to decrease the governmental activities equity balance for \$307,769 was required.

Recommendation

We recommend that management remain current with GASB pronouncements and understand how to apply them accordingly.

Response

The City, working with its current team of financial auditors, should remedy this through education and enactment of this and future GASB pronouncements.

PRIOR PERIOD ADJUSTMENT FOR BOND ISSUANCE COSTS

Finding

During our audit it was noted that an adjustment of \$67,973 was needed to decrease the amount capitalized as the bond cost of issuance and decrease the corresponding Golf Course Fund equity. Management should review and understand all line items on the governmental financial statements and remove of any non-existing assets.

Recommendation

We recommend that the City understand the underlying transactions and appropriate accounting treatment for recording and amortizing bond issuance costs.

Response

The City, working with its current team of financial auditors, should remedy this through education and enactment of this and future procedure improvements.

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2005

PRIOR PERIOD ADJUSTMENT FOR CAPITALIZED COST OF ISSUANCE

Finding

During our audit it was noted that in the prior year the City had inappropriately capitalized the cost of issuance associated with the bond relating to the construction of the new City Hall and Public Works building. Accordingly, an adjustment was needed to decrease construction in progress and the Capital Projects Fund equity account for \$56,000.

Recommendation

We recommend that management understand the underlying nature of the transactions and the appropriate accounting treatment for capitalizing assets and construction interest.

Response

The City, working with its current team of financial auditors, should remedy this through education and enactment of this and future improvements to procedures.

CAPITALIZATION OF CONSTRUCTION COSTS

Finding

During the fiscal year ended June 30, 2005, the City constructed a new City Hall and started construction on a new Public Works building. We noted that the City did not properly account for the costs to construct these assets in the following ways:

1. The City did not properly differentiate costs associated with the City Hall and the Public Works building which required a reclassification of construction in progress of approximately \$30,000.
2. The City did not segregate the cost of construction of the City Hall with the costs of furniture and fixtures and outdoor electric sign, which resulted in a reclassification adjustment of approximately \$89,000 and \$38,000, respectively, and a minor depreciation adjustment.
3. The City inappropriately capitalized non-construction costs of approximately \$10,000.

Recommendation

We recommend that management put controls and procedures in place to properly track and account for construction costs.

Response

The City, as part of the comprehensive review of its Asset Management Policy, should be able to track and account for construction costs as they may arise.

WEST BOUNTIFUL CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2005

SALES TAX REVENUE AND RECEIVABLE

Finding

During our audit we noted that the City was not properly recording Sales Tax Receivable and Revenue. The Utah State Tax Commission collects sales tax and remits the City's portion to the City monthly. It takes approximately 60 days for the City to receive the funds. As of June 30, 2005, the City had only recorded one month of sales tax receivable and there should be two months of sales tax receivable. Accordingly, an adjustment of \$72,852 was made to increase sales tax receivable and revenue.

Recommendation

We recommend that management record sales tax revenue and receivable in the proper period.

Response

The City, working with its current team of financial auditors, should remedy this through education and enactment of this and future improvements to procedures.

PERIOD END PROCEDURES

Finding

During our audit we noted that seventy-eight checks were printed and sent out on July 19, 2005, but were incorrectly posted to June 2005 period. This resulted in a \$144,959 adjustment to cash and other accrued liability accounts. Checks should be posted in the month that they were cut. It is important that transactions are properly applied to the correct period.

Recommendation

We recommend that management apply period end procedures to ensure that transactions are posted to the correct period.

Response

The City will work through accounts payable period end procedures to avoid this potential problem in the future.